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CHAPTER XX
PUBLIC PURCHASES, PURCHASE OF LAND OR STRUCTURES
AND INVENTORY OF FIXED ASSETS

The "Public Purchases Law" governs the purchase or lease of materials for which payment is to be made from a public fund. [IC 36-1-9-1]

SECTION A - GENERAL PROVISIONS

Definition of Materials

Materials is defined in IC 36-1-2-9.5 as supplies, goods, machinery, packaged software, and equipment.

Appropriations

At the time a contract is awarded, the political subdivision must have a sufficient appropriation balance or an approved additional appropriation to cover the contract amount. [IC 36-1-9-10(a)]

Electronic Bids

Electronic Bids may be accepted by a political subdivision if the political subdivision receiving the bid:

1. indicates in the notice issued the procedures for transmitting the electronic bid; and
2. receives the electronic bid on a fax machine or system with a security feature that protects the content of an electronic bid to the same extent the content of a bid that is not transmitted by fax machine is protected. [IC 36-1-9-3(e)]

SECTION B - PURCHASES FOR WHICH ADVERTISING AND BIDDING IS REQUIRED

A purchasing agent who is purchasing or leasing materials must comply with IC 36-1-9-3 whenever the total price of each line or class of materials to be purchased annually or total annual rental payments are:

1. At least \$100,000 if the purchasing agent is acting on behalf of:
 - a. A commuter transportation district (as defined in IC 8-5-15); or
 - b. A public transportation corporation (as defined in IC 36-9-4);
2. At least \$75,000 if the purchasing agent is acting on behalf of:
 - a. A consolidated city or second class city; or
 - b. A county containing a consolidated city or a second class city;
3. At least \$50,000 if the purchasing agent is acting on behalf of:
 - a. A third class city or town with a population of more than 5,000; or

- b. A county containing a third class city or town with a population of more than 5,000; or
4. At least \$25,000 if the purchasing agent is acting on behalf of a political subdivision or an agency not described above.

Specifications

When advertising for the purchase or lease of materials the purchaser shall prepare specifications describing the kind and quantity of the materials needed, but the purchaser shall avoid specifications that might unduly limit competition. In addition, the specifications may include one or more of the following conditions:

1. That bids will be received and contracts let, separately, for each line or class of materials.
2. That bids will be received and contracts let for the purchase or lease of an unspecified number of items at a fixed price per unit.
3. That bids will be evaluated on the basis of such factors as reliability, productivity, and the cost of maintenance and services. [IC 36-1-9-3(b)]

Notice

Notice of time and place for receiving of bids shall be given by publication by two insertions one week apart in two newspapers. The second publication must be made at least ten days prior to the time for the receiving of bids. A bidder may not be required to submit a bid before the meeting at which bids are to be received. [IC 36-1-9-3(d)]

It is not necessary to include the detailed specifications in the advertised notice. A statement in the notice saying that the specifications are on file for public inspection in a specified office is sufficient. [IC 36-1-9-3(g)]

Public Meeting

All meetings for receiving bids must be open to the public. The bids shall be opened publicly and read aloud at the time and place designated in the notice. [IC 36-1-9-3(f)]

Contract Award

After a satisfactory bid is received, the purchaser shall award a contract to the lowest responsible and responsive bidder. [IC 36-1-9-3(h)]

If the contract is not awarded to the lowest bidder, the factors used to:

1. determine which bidder is the lowest responsible and responsive bidder; and,
2. justify that award must be stated in the minutes or memoranda at the time the award is made. A copy of the minutes or memoranda must be kept available for public inspection. [IC 36-1-9-3(i)]

Responsive Bidder

In determining whether a bidder is responsive, the purchasing agent may consider the following factors:

1. Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
2. Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
3. Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract. [IC 36-1-9-3(j)]

Responsible Bidder

In determining whether a bidder is a responsible bidder, a purchasing agent may consider the following factors:

1. The ability and capacity of the bidder to provide the materials.
2. The integrity, character, and reputation of the bidder.
3. The competency and experience of the bidder. [IC 36-1-9-3(k)]

Procurement Preferences

A purchase under IC 36-1-9 is subject to procurement preferences provided in IC 5-17-6. [IC 36-1-9-14]

Evidence of Financial Responsibility- Bids Exceeding \$100,000

When bids exceed \$100,000 a bond or certified check or other evidence of financial responsibility shall be filed with each bid by a bidder in the amount determined and specified by the purchasing agent in the notice of the letting. The amount of the bond, certified check, or other evidence of financial responsibility may not be set at more than ten percent (10%) of the contract price. The bond, certified check, or other evidence of financial responsibility shall be made payable to the political subdivision. [IC 36-1-9-6]

Evidence of Financial Responsibility Bids Under \$100,000

When bids are less than \$100,000, the political subdivision may require a bidder to file evidence of financial responsibility with each bid. The kinds of evidence of financial responsibility that are acceptable to the political subdivision must be specified in the notice of letting. If a bond or certified check is required as the evidence of financial responsibility, the bond or certified check may not be set at an amount that is more than ten percent (10%) of the contract price. [IC 36-1-9-6]

Use of Prescribed Forms

Each bid for a purchase or lease of materials must be executed on forms prescribed by the State Board of Accounts. [IC 36-1-9-7] General Form No. 95 is the prescribed bid form to be used by all bidders. The political subdivision may either furnish copies of this form to the bidders or require each to purchase copies from any supplier who handles prescribed forms. Each bid must also include a Bidder's Affidavit. [IC 36-1-9-8]

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

Delivery of Purchase Order/Lease to Successful Bidder

Within thirty days after acceptance of a bid, quote, offer, estimate, or contract for the purchase or lease of materials, the purchasing agent shall deliver in person or by first class mail to the successful bidder the original of each purchase order or lease, retain a copy for the purchaser's records, and file a copy for public record and inspection. [IC 36-1-9-10]

Checks of Bidders

All checks of unsuccessful bidders shall be returned to them upon selection of successful bidders. Checks of successful bidders shall be held until delivery or until completion of the contract. [IC 36-1-9-6]

Rejection of All Bids

The purchasing agent may reject all bids and advertise for new bids. If no valid bids are received for an item, the purchasing agent may purchase or lease that item on the open market without further advertisement for bids. [IC 36-1-9-3(l)]

SECTION C - REQUEST FOR PROPOSALS PROCESS

The following procedure may be used to develop specifications when the purchasing agent makes a written determination that the use of IC 36-1-9-3(b) is not feasible. [IC 36-1-9-3(c)]:

1. Proposals to develop specifications shall be solicited through a request for proposals, which must include:
 - a. The factors or criteria that will be used in evaluating the proposals;
 - b. A statement concerning the relative importance of price and the other evaluation factors;
 - c. A statement concerning whether the proposal must be accompanied by a certified check or other evidence of financial responsibility;
 - d. A statement concerning whether discussions may be conducted with the offerors for the purpose of clarification of solicitation requirements; and
 - e. A statement that the proposal must comply with any requirement under IC 36-1-9-8.5.

2. Notice of the request for proposals shall be given by publication of a notice two times, at least one week apart, with the second publication made at least ten days before proposals are to be received.
3. After the procedures have been completed, the resulting specifications shall be let for bid in accordance with the procedures outlined in IC 36-1-9-3.

SECTION D - PURCHASES EXEMPT FROM ADVERTISING AND BIDDING REQUIREMENTS

Certain purchases are exempt from the advertising and bidding requirements of IC 36-1-9, as follows:

Purchases Under Dollar Thresholds of IC 36-1-9-3

When the total price of each line or class of materials to be purchased annually or the total annual rental payments is:

1. At least \$25,000 and less than \$100,000, if the purchasing agent is acting on behalf of:
 - a. A commuter transportation district (as defined in IC 8-5-15); or
 - b. A public transportation corporation (as defined in IC 36-9-4).
2. At least \$25,000 but less than \$75,000 and the purchasing agent is acting on behalf of:
 - a. A consolidated city or second class city; or
 - b. A county containing a consolidated city or a second class city;
3. At least \$25,000 but less than \$50,000 if the purchasing agent is acting on behalf of:
 - a. A third class city or town with a population of more than 5,000; or
 - b. A county containing a third class city or town with a population of more than 5,000

the purchasing agent must do the following:

Invite quotes from at least three persons known to deal in the lines or classes of materials by mailing them a copy of the specifications for the materials and of IC 36-1-9-8.5 not less than seven days before the time fixed for receiving quotes. If the purchasing agent receives quotes, the agent shall, after a satisfactory quote is received, award the contract to the lowest responsible and responsive quoter for each line or class of materials required. The purchasing agent may reject all quotes and, if no valid quotes are received for an item, purchase or lease that item on the open market without further invitations for quotes. [IC 36-1-9-4]

Purchases Under \$25,000

When the total price of each line or class of materials to be purchased is \$25,000 or less or the total rental (lease) payments on the lease of materials is \$25,000 or less, the political subdivision must comply with one of the following procedures:

1. Invite quotes from at least three persons by mailing them a copy of the specifications for the materials not less than seven days before the time fixed for receiving quotes. If the purchasing agent receives quotes the agent shall, after a satisfactory quote is received, award the contract to the lowest responsible and responsive quoter. The purchasing agent may reject all quotes and, if no valid quotes are received for an item, purchase or lease that item on the open market without further invitations for quotes. [IC 36-1-9-4(b)]
2. Purchase or lease the materials in the open market without inviting or receiving quotes. [IC 36-1-9-4.5(b)]
3. Adopt other reasonable procedures. [IC 36-1-9-4.5(b)]

Emergency

The purchasing agent, upon a declaration of emergency, may purchase or lease materials without giving notice or receiving bids, if quotes are invited from two or more persons known to deal in the materials required. The purchasing agent must record the declaration of emergency and the names of those persons invited to quote in the minutes. [IC 36-1-9-11]

Special Procurements

The executive of the political subdivision may make, or authorize others to make, special procurements under any of the following instances:

1. There exists, under emergency conditions, a threat to public health, welfare, or safety.
2. There exists a unique opportunity to obtain supplies or services at a substantial savings to the political subdivision.
3. The market structure requires the purchasing agent or governing body of a political subdivision to inspect and bid on the supplies to be procured.
4. The compatibility of equipment, accessories, or replacement parts is a substantial consideration in the procurement and only one (1) source meets the political subdivision's necessary requirements.
5. Procurement of the required supplies services under another section of IC 36-1-9 would seriously impair the functioning of the political subdivision.
6. The political subdivision has solicited for a procurement under another section of this chapter and has not received a responsive offer.
7. The market structure is based on price but the political subdivision is able to receive a dollar or percentage discount of that established price.

Special procurements must be made with competition as is practicable under the circumstances.

A written determination of the basis for the special procurement and for the selection of the particular contractor must be included in the contract file. Contract records for special procurements must be maintained in a separate file by the political subdivision and are subject to annual audit by the State Board of Accounts. [IC 36-1-9-16]

Insurance

Insurance coverage does not appear to be included within the definitions contained in the Public Purchases Law, IC 36-1-9, or Public Works Law, IC 36-1-12. Therefore, there is no specific statutory requirement for advertising and soliciting bids for such service. Advertising for quotations or bids for insurance is a matter for local determination.

Other Transactions

1. The purchasing agent may purchase or lease parts for machinery or equipment that can only be procured from the manufacturer of the machinery or equipment without giving notice or receiving bids. [IC 36-1-9-1(d)]
2. The purchasing agent may purchase materials from a nonprofit corporation for persons with severe disabilities under IC 16-32-2-8. [IC 36-1-9-1(e)]
3. IC 36-1-9 does not apply to a purchase or lease made by a political subdivision with a public utility if the purchase or lease price is a negotiated price that considers the results of two (2) independent appraisals, one (1) that the political subdivision shall obtain and one (1) that the public utility shall obtain. [IC 36-1-9-1(f)]
4. IC 36-1-9 does not apply to the initial purchase or lease of software if that software:
 - a. May only be procured directly from the software's developer; and
 - b. Is the only available software application that will satisfy the political subdivision's demonstrated need. [IC 36-1-9-1(h)]
5. IC 36-1-9 does not apply to the purchase of additional hardware or software that will supplement an existing mainframe computer system or mini-mainframe computer system of a political subdivision if:
 - a. The existing computer system was purchased through a competitive bidding procedure;
 - b. The additional hardware and software:
 1. May only be procured directly from the developer or manufacturer of the software or hardware; and
 2. Is the only software or hardware that will satisfy the demonstrated needs of the political subdivision; and
 3. The existence of both conditions described above is recorded in the minutes of the legislative body of the political subdivision or governing body of the agency.

As used in this subsection, "peripheral hardware" includes printers and terminals. The exemption from the coverage of this chapter does not apply to the purchase of peripheral hardware. [IC 36-19-1(l),(j)]

6. A purchasing agent may purchase or lease materials from the United States government, or any agency, division, or instrumentality thereof, without the giving of notice or the receiving of bids, if the consideration would be less than that obtained by the giving of notice and taking of bids or from purchases or leases from private persons. However, at the time of the purchase or lease or immediately thereafter, the political subdivision must give public notice in accordance with IC 5-3-1. [IC 36-1-9-12]
7. A purchasing agent may purchase materials for the political subdivision without giving notice or receiving bids if:
 - a. The purchase is made from a supplier who has a contract with a state agency and the supplier's contract with the state requires him to make the materials available to political subdivisions, as provided in IC 4-13.4-5-11 or IC 4-13.4-7.1;
 - b. The purchase is made from a supplier who has a contract with a federal agency and the supplier's contract with that agency requires the supplier to make the materials available to the state or political subdivisions; or
 - c. There is only one (1) source for the materials or supplies and the following requirements are met:
 1. The purchasing agent:
 - (i) Makes a written statement of the agent's determination that there is one (1) source for the materials or supplies; and
 - (ii) Includes a copy of the purchasing agent's determination in the contract file.
 2. The proposed contract for the purchase of the materials or supplies has an expenditure value of more than fifty thousand (\$50,000), the purchasing agent has submitted the contract and the purchasing agent's written determination that there is only one (1) source for the materials or supplies to the purchasing agent, and the executive of the political subdivision has approved the purchase in writing. [IC 36-1-9-13]

SECTION E - CONTRACT PROVISIONS

The following provisions are available for contracts awarded under IC 36-1-9.

Property Interest

A bidder or an offeror does not gain a property interest in the award of a contract by a political subdivision unless:

1. The bidder or offeror is awarded the contract; and
2. The contract is completely executed. [IC 36-1-9-17]

Early Performance

A political subdivision may specify in a contract that early performance of the contract will result in increased compensation at either:

1. A percentage of the contract amount; or
2. A specific dollar amount;

Notice of inclusion of this provision must be included in the solicitation. [IC 36-1-9-18]

Late Completion of Contract

A political subdivision may specify in a contract that completion of the contract after the termination date of the contract will result in a deduction from the compensation in the contract at either:

1. A percentage of contract amount; or
2. A specific dollar amount;

determined by the political subdivision.

Notice of inclusion of this provision must be included in the solicitation. [IC 36-1-9-18]

SECTION F - AGENCY SERVICE CONTRACTS

IC 5-17-4 provides that government units may let contracts for the performance of any service which must or may be done by the agency that is "necessary or desirable in the public interest." The agency may contract with other governmental units, incorporated or unincorporated organizations, associations, partnerships or individuals, except someone who, due to a state or public office held, would be ineligible to be a member of the governing board.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts.

SECTION G - RENTAL WITH OPTION TO PURCHASE AGREEMENTS FOR EQUIPMENT

In purchasing vehicles, photocopiers, or any other equipment from budgeted funds, it is the audit position of the State Board of Accounts that the appropriate purchasing authority of a political subdivision district has the right to enter into a rental with option to purchase agreement if the rental charge is fair and reasonable.

When title to the equipment will pass to the governmental unit at the expiration of the lease, the total of all lease payments should be used in determining whether or not to take bids in accordance with the dollar thresholds provided by statute. Only by so awarding a contract would the purchasing agent have the authority to purchase the equipment at a later date.

Specifications

The specifications for such equipment must be recognized standard specifications to allow competitive bidding and should provide for the bidder to quote the total purchase cost, the rental charge to be made, and the percentage of the rental charge that will be credited toward the purchase cost should the purchasing agent exercise the option to purchase.

Appropriation

Before such an agreement can be legally entered into, there must be a sufficient balance available in the "Rentals" Appropriation for payment of the current year's rental charge. The agreement should not obligate the political subdivision for payment of rental beyond the current year's appropriation. Provision may be made in the agreement for renewal for succeeding years by rental payments subject to appropriations being available therefore.

If the above requirements are complied with, the purchasing authority can legally exercise its option to purchase at any time a sufficient appropriation for "Capital Outlays" is available.

Trade-Ins

If the purchasing agent has used equipment to trade in on the new equipment to be purchased under a rental with option to purchase agreement, the trade-in value of the old equipment could be applied on the rental charge only to the extent of the rental charge for the balance of the current calendar year.

If such trade-in value exceeds the current year's rental charge, the purchasing agent should proceed to sell the used equipment in the manner prescribed by law.

SECTION H - PETROLEUM PRODUCTS [IC 36-1-9-3.1]

The purchasing agent may award petroleum products contracts (that allow for the escalation or deescalation of price) to:

1. The lowest responsible and responsive bidder.
2. All responsible and responsive bidders.

When a petroleum products contract is awarded to all responsible and responsive bidders the purchasing agent must purchase the petroleum products from the lowest of the responsible and responsive bidders. The contract must provide that the bidder from whom petroleum products are being purchased shall provide five (5) business days written notice of any change in price. Upon receipt of written notice, the purchasing agent shall request current price quotes in writing based upon terms and conditions or the original bid (as awarded) from all successful responsible and responsive bidders. The purchasing agent shall record the quotes in minutes or memoranda. The purchasing agent shall then purchase the petroleum products from the lowest responsible and responsive bidder, taking into account the price change of the current supplier and the price quotes of the other responsible and responsive bidders.

Petroleum products include gasoline, fuel oils, lubricants and liquid asphalt.

SECTION I - TRUSTS [IC 36-1-9-8.5]

When accepting bids, proposals, or quotations under the Public Purchases Law, a bid, proposal, or quotation submitted by a trust must identify each:

1. Beneficiary of the trust; and
2. Settler empowered to revoke and modify the trust.

SECTION J - PUBLIC LAW 49-1997

Effective July 1, 1998, IC 36-1-9 will be repealed and IC 5-22 will govern public purchases for political subdivisions.

SECTION K - PROCUREMENT PREFERENCES [IC 5-17-6]

Types of Preference

A bidder may claim one (1) of the following types of preference for which the bidder is eligible:

1. An Indiana business preference under rules adopted under IC 4-13.4-2-9 or IC 4-13.6-6-2.5.
2. A preference for supplies as provided by sections 20, 20.1, 22, and 23 of IC 5-17-6.

A bidder may not claim more than one (1) preference as provided by section 20, 20.1, 22 and 23 of IC 5-17-6 for a given item of supplies.

Price Preference - Supplies

There is a price preference of ten percent (10%) for supplies that meet at least one (1) of the following descriptions:

1. At least fifty percent (50%) of the volume of the original components of the supplies consisted of recycled materials.
2. The cost of purchasing recycled materials constituted at least fifty percent (50%) of the cost of producing the supplies.
3. A percentage by weight or volume of recycled materials which the Commissioner of the Department of Environmental Management determines by rule is eligible for procurement preference under this chapter.

This section does not apply when the purchase description is limited to a supply that meets one (1) or more of the aforementioned descriptions. [IC 5-17-6-20]

Price Preference - Supplies Containing Recycled Materials

There is a price preference of fifteen percent (15%) for supplies that contain at least fifty percent (50%) by volume of recycled materials that have been used by an ultimate consumer of the materials.

This section does not apply when the purchase description is limited to a supply that meets the description set forth above. [IC 5-17-6-20.1]

Price Preference - Soy Diesel/Bio Diesel

There is a price preference of ten percent (10%) for soy diesel/bio diesel.

As used in this section, "soy diesel/bio diesel" includes fuels (other than alcohol) that are primarily esters derived from biological materials, including oilseeds and animal fats, for use in compression and ignition engines.

The price preference under this section applies to any purchase of fuel that at least twenty percent (20%) by volume of which is soy diesel/bio diesel. However, this section does not apply when the purchase description is limited to a fuel that at least twenty percent (20%) by volume of which is soy diesel/bio diesel. [IC 5-17-6-23]

Claiming a Preference

A bidder who wants to claim a preference provided under this chapter for a given item of supplies must indicate in the bid what item of supplies in the bid is preferred supplies. [IC 5-17-6-13]

The purchasing agent may require a bidder who claims a preference for a given item of supplies under IC 5-17-6-13 to certify that the supplies offered meet the qualifications set for preferred supplies. [IC 5-17-6-14]

Computation of Adjusted Bid

If a bidder bids a preferred supply for a given item of supplies, the purchasing agent shall compute an adjusted bid for that item according to the following formula:

STEP ONE: Determine the price preference percentage for the item of supplies under this chapter.

STEP TWO: Multiply the bidder's bid for the item of supplies by the percentages determined under STEP ONE.

STEP THREE: Subtract the number determined under STEP TWO from the bidder's bid for the item of supplies. [IC 5-17-6-15]

Contract Award

Notwithstanding any statute requiring the award of a contract to the lowest bidder, but subject to IC 5-17-6-17, a purchasing agent shall award a contract to the bidder whose total adjusted bid is lower than the total adjusted bid of each other bidder. [IC 5-17-6-16]

The award of a contract under IC 5-17-6-16 is subject to the following:

1. A requirement of an applicable statute to award a contract to a responsible and responsive bidder.
2. The authority of a purchasing agent under an applicable statute to award contracts separately or for a combination or a line or class of supplies. [IC 5-17-6-17]

If a purchasing agent awards contracts separately or for a combination of a line or class of supplies under an applicable statute, the purchasing agent shall compute total adjusted bids and award contracts as if each combination of lines or classes of supplies to be awarded a contract had been solicited separately. [IC 5-17-6-18]

The price paid for preferred supplies purchased under a contract awarded under IC 5-17-6 shall be the price bid for the supplies and not the adjusted bid price of the supplies. [IC 5-17-6-19]

Overpayment Collections

Governmental units should collect any overpayments made.

Advance Payments

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute.

Purchasing Bonuses

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit.

SECTION L - PURCHASE OF LAND OR STRUCTURES [IC 36-1-10.5]

Application

IC 36-1-10.5 sets out certain procedures to be followed when purchasing real property costing more than \$25,000. This applies to political subdivisions and their agencies. However, certain purchases are exempted from the requirements of IC 36-1-10.5. These exemptions are listed in IC 36-1-10.5-1(b). [IC 36-1-10.5-1]

Definition of Structure

Structure is defined to mean

1. A building used in connection with the operation of a political subdivision; or
2. A parking facility as defined in IC 36-1-9.

The term includes the site, equipment, and appurtenances to the building or parking facility. [IC 36-1-10.5-4]

Required Procedures

The purchasing agent shall purchase the land or structure after the following procedures have been followed:

1. The fiscal body of the political subdivision shall pass an ordinance or resolution to the effect that it is interested in making a purchase of specified land or a structure.
2. The purchasing agent shall appoint two appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
3. The appraisers shall return their separate appraisals to the purchasing agent within thirty days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five years after they are given to the purchasing agent.
4. The purchasing agent shall give a copy of both appraisals to the fiscal body. [IC 36-1-10.5-5]

Limitation

The purchasing agent may not purchase any land or structure for a price greater than the average of the two appraisals received under IC 36-1-10.5-5. [IC 36-1-10.5-6]

SECTION M - FIXED ASSETS

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded in the General Fixed Asset Account Group, Form 369, or City and Town Form 211 or County Form 146, or properly approved form, as applicable. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records.

Land

The records of each governmental unit should reflect land owned, its location, its acquisition date and the cost (purchase price). If the purchase price is not available, appraised value may be used.

Buildings

A fixed asset account for buildings should reflect the location of each building and the cost value (being the purchase or construction cost) and the cost of improvements, if applicable. If a building is acquired by gift, the account should reflect its appraised value at the time of acquisition.

Improvements Other Than Buildings

A fixed asset account should reflect the acquisition value of permanent improvements, other than buildings, which have been added to the land. Examples of such improvements are fences, retaining walls, sidewalks, gutters, tunnels and bridges. The improvements should be valued at the purchase or construction cost.

Equipment

Tangible property of a permanent nature (other than land, buildings and improvements) should be inventoried. Examples include machinery, trucks, cars, furniture, typewriters, adding machines, calculators, bookkeeping machines, data processing equipment, desks, safes, cabinets, books, etc. The value of such items should be carried in the inventory at the purchase cost. The governing board should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which equipment items will be recorded.

Construction Work In Progress

Where construction work has not been completed in the current reporting calendar year, the cost of the project should be carried as "construction work in progress." When the project is completed, it will be placed on the inventory applicable to the assigned asset accounts.

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